

## Message Text

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ORIGIN INR-07

INFO OCT-01 NEA-10 ISO-00 SSM-03 SS-15 IO-13 L-03  
IGA-02 OC-06 CCO-00 AID-05 CIAE-00 ACDA-07 NSC-05  
DODE-00 /077 R

DRAFTED BY INR/RNA/NE:AAVACCARO:CA  
APPROVED BY INR/RNA:PHSTODDARD  
SSM-CWKONTOS

-----260600Z 114828 /15

R 252057Z APR 77  
FM SECSTATE WASHDC  
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S E C R E T STATE 092798

E.O. 11652: XGDS-2

TAGS: EG, IS, PINR

SUBJECT: INTSUM 302 - APRIL 25, 1977

NOT RELEASABLE TO FOREIGN NATIONALS

1. LEBANON. THE SPORADIC CLASHES WHICH BROKE OUT SATURDAY IN BEIRUT CONTINUED YESTERDAY, AS SYRIAN PEACE-KEEPING FORCES APPARENTLY MOVED TO CONTROL PALESTINIAN REJECTIONISTS AND LEBANESE LEFTIST FACTIONS. THE INITIAL FIGHTING SATURDAY INVOLVED SYRIAN FORCES WHEN THEY MOVED AGAINST A LEBANESE LEFTIST FACTION WHICH HAD KILLED TWO SYRIAN SOLDIERS. AT THE SAME TIME, PRO-SYRIAN SAIQA ELEMENTS CLASHED WITH THE REJECTIONIST ABU ABBAS WING OF THE PFLP-GC, POSSIBLY BECAUSE OF THE KIDNAPPING OF PNC MEMBER RIFAT AL-NIMER, BROTHER-IN-LAW OF FATAH'S POLITICAL CHIEF QADDUMI.

2. BY LATE YESTERDAY, FIREFIGHTS BETWEEN SYRIAN TROOPS  
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AND LEBANESE LEFTISTS CONTINUED, AND THE SYRIANS REPORTEDLY HAD ENGAGED RADICAL PFLP-GC ELEMENTS NEAR THE SABRA REFUGEE CAMP AFTER A SAUDI PATROL WAS AMBUSHED IN THE AREA. SYRIAN FORCES ALSO STRENGTHENED THEIR POSITIONS AROUND THE CAMPS, AND SET UP ADDITIONAL ROADBLOCKS IN WEST BEIRUT.

3. PALESTINIAN LEADERS WERE REPORTEDLY WORRIED THAT SYRIAN TROOPS WOULD TRY TO ENTER THE CAMPS, AND THEY PLACED THE CAMPS ON ALERT. THERE ARE NO INDICATIONS THE

SYRIANS INTEND TO DO SO, HOWEVER. AT THE SAME TIME, MODERATE PALESTINIANS ARE ATTEMPTING TO CALM THE SITUATION, AS EVIDENCED BY THEIR DISCLAIMER OF ANY INVOLVEMENT ON THE PART OF REGULAR FEDAYEEN GROUPS AND APPARENT CONTACTS BETWEEN ARAFAT AND ARAB SECURITY FORCE COMMANDERS.

4. DEFENSE MINISTER PERES IS QUOTED IN HAARETZ YESTERDAY AS SAYING THAT ISRAEL WOULD INTERVENE IN LEBANON UNDER THREE CONDITIONS:

--THE SYRIAN ARMY CROSSED THE "RED LINE";

--PALESTINIANS REENTER THE BORDER REGION;

--LEBANESE CHRISTIAN VILLAGERS ARE HARMED;

PERES CONCLUDED BY OBSERVING THAT ISRAEL IS PREPARED, AND WHETHER AND WHEN IT INTERVENES MUST BE LEFT AS A SURPRISE. (CONFIDENTIAL)

5. ISRAEL. PERES TOOK OVER THE DE FACTO REINS OF ISRAEL'S GOVERNMENT FROM RABIN LAST FRIDAY, AMID SIGNS THAT THE RULING LABOR ALIGNMENT MAY BE GAINING GROUND IN THE ELECTION CAMPAIGN TWO ISRAELI OPINION POLLS PREDICTED THAT THE ALIGNMENT WOULD WIN 42-48 SEATS;  
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EARLIER POLLS HAD PLACED LABOR'S EXPECTED TOTAL AT ABOUT 35-40. SHOULD THESE LATEST POLLS PROVE TO BE ACCURATE, LABOR WOULD BE IN AN EXCELLENT POSITION TO FORM THE NEXT GOVERNMENT.

6. SEVERAL FACTORS SEEM TO HAVE CONTRIBUTED TO LABOR'S APPARENT COMEBACK:

--THE STRAIGHTFORWARD MANNER IN WHICH RABIN HANDLED THE BANK ACCOUNT AFFAIR AND HIS "RESIGNATION";

--LABOR'S ABILITY TO RALLY AROUND PERES AND MAINTAIN A PUBLIC IMAGE OF COHESIVENESS DESPITE SCANDALS AND INTRA-PARTY DIFFERENCES;

--PERES' MORE FORCEFUL LEADERSHIP OF THE PARTY'S CAMPAIGN;

--LIKUD LEADER BEGIN'S POOR HEALTH AND THE SQUABBLING WITHIN YADIN'S DEMOCRATIC MOVEMENT FOR CHANGE (DMC).

7. IN A CONVERSATION WITH AN EMBASSY TEL AVIV OFFICER, AN ISRAELI FOREIGN MINISTRY OFFICIAL SAID THAT THE MOST SIGNIFICANT FACT ABOUT THE MESHAH SETTLEMENT WAS THAT IT

WAS THE FIRST IN SAMARIA NEAR THE PRE-1967 BORDERS. REFERRING TO PRESIDENT CARTER'S ENDORSEMENT OF "MINOR MODIFICATIONS," THE OFFICIAL IMPLIED THAT THE ISRAELI GOVERNMENT VIEWS MESHAI IN THIS FRAMEWORK.

8. THE ISRAELI DAILY DAVAR QUOTED ALLON AS SAYING THAT MOST OF THE TERRITORIES ISRAEL CAPTURED IN 1967 WERE PRIMARILY BARGAINING CHIPS FOR FUTURE PEACE NEGOTIATIONS. ALLON ADDED THAT "IN THE FINAL ANALYSIS WE WILL HAVE TO RETURN MOST OF THE TERRITORIES IN RETURN FOR PEACE".

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9. THREE EGYPTIAN-BASED SOVIET OBSERVERS RECENTLY VISITED UN OFFICES IN JERUSALEM. ACCORDING TO OUR CONSULATE GENERAL, THE ISRAELIS REPORTEDLY PLACED NO RESTRICTIONS ON THEIR TRAVEL.

10. ISRAELI PERMANENT UN REPRESENTATIVE HERZOG CALLED ON AMBASSADOR YOUNG APRIL 21 TO DISCUSS THE POSSIBILITY OF ISRAEL RESUMING A ROLE IN AFRICA. HE DESCRIBED THE ACTIVE AID PROGRAMS ISRAEL CARRIED OUT BEFORE MOST AFRICAN STATES BROKE RELATIONS IN 1973, A MOVE HE ATTRIBUTED TO CUBAN AND SOVIET PRESSURE. HERZOG ALSO SAID THAT LIBERIA, THE IVORY COAST, AND GABON--REFLECTING WORRIES ABOUT THE COMMUNIST PRESENCE IN AFRICA--HAVE INDICATED PRIVATELY THEY WOULD LIKE TO REESTABLISH RELATIONS WITH ISRAEL BUT FEAR ISOLATION IN THE AFRICAN COMMUNITY.

11. HERZOG REMARKED THAT HE HAS RECOMMENDED TO A NUMBER OF AFRICANS THAT A FIRST STEP TO RELATIONS WITH ISRAEL WOULD BE BREAKING THE CONSENSUS RULE IN THE OAU, THEREBY PREVENTING THE DOMINATION OF THAT ORGANIZATION BY A MINORITY OF RADICAL STATES.

HERZOG SUGGESTED THAT THE US URGE FRIENDLY AFRICANS TO BREAK THE CONSENSUS RULE, POSSIBLY BY ENCOURAGING

A GROUP OF NATIONS TO BAND TOGETHER TO ESTABLISH TIES WITH ISRAEL. (CONFIDENTIAL)

12. SYRIA. MOSCOW TASS RELEASED THE TEXT OF THE JOINT SYRIAN-SOVIET JOINT COMMUNIQUE LATE LAST FRIDAY. THE COMMUNIQUE:

--STRESSED THE DESIRE OF BOTH SIDES TO IMPROVE BILATERAL RELATIONS;

--HINTED THAT THE SOVIETS MAY BE WILLING TO BE FORTHCOMING  
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ON ARMS SUPPLIES TO SYRIA BUT LINKED THIS TO FAVORABLE POLITICAL RELATIONS;

--REFERRED TO THE "FAVORABLE POSSIBILITIES" FOR AUGMENTING ECONOMIC COOPERATION AND SOVIET ECONOMIC DEVELOPMENT AID; AND

--CALLED FOR AN EARLY RECONVENING OF THE GENEVA CONFERENCE, WITH PALESTINIAN REPRESENTATION.

13. THE FOLLOWING IS OUR ASSESSMENT OF THE RESULTS OF ASAD'S MOSCOW VISIT. HIS VISIT YIELDED SOME MOVEMENT TOWARD MENDING OF FENCES AND PROBABLY HAS REDUCED THE STRAIN IN BILATERAL RELATIONS THAT HAS CHARACTERIZED TIES FOR MORE THAN A YEAR. SPECIFIC TANGIBLE RESULTS FROM THE VISIT, HOWEVER, SO FAR SEEM UNDRAMATIC AND THE RECORD INDICATES THAT THE LEGACY OF DISTRUST SPARKED BY SYRIAN-SOVIET DIFFERENCES OVER LEBANON HAS YET TO BE DISPELLED.

14. BOTH SIDES CLEARLY SOUGHT TO MINIMIZE THEIR DISAGREEMENTS AND TO CLOSE RANKS IN VIEW OF THEIR PREOCCUPATION WITH CURRENT MOVES TOWARD RESUMPTION OF ARAB-ISRAELI NEGOTIATIONS. ASAD'S TALKS WITH SOVIET LEADERS EVIDENTLY RESULTED IN A MUTUALLY BENEFICIAL TRADE-OFF, INVOLVING LIMITED SOVIET WILLINGNESS TO BE FORTHCOMING ON SYRIAN MILITARY AND ECONOMIC REQUESTS IN RETURN FOR A STRONG SYRIAN PLEDGE TO SUPPORT AN ACTIVE SOVIET ROLE IN ANY FUTURE ARAB-ISRAELI TALKS.

15. SYRIAN DIPLOMATS IN MOSCOW TOLD OUR EMBASSY THAT DISCUSSIONS OF BILATERAL MILITARY AND ECONOMIC RELATIONS WENT WELL. THE PROBLEM OF MILITARY SPARE PARTS WAS "SETTLED" AND EXISTING ECONOMIC AGREEMENTS WERE PUT ON COURSE. SO FAR, HOWEVER, THERE IS NO OTHER INDICATION THAT THE USSR SIGNED A NEW MILITARY AGREEMENT.

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16. SYRIA, MEANWHILE, PUBLICLY STRESSED THE IMPORTANCE OF A SOVIET ROLE IN MOVING TOWARD RESUMPTION OF THE GENEVA NEGOTIATIONS. AND ASAD PLEDGED "CONTINUED COOPERATION" WITH THE USSR WITH THE AIM OF REACHING A COMPREHENSIVE ARAB-ISRAELI SETTLEMENT. MOSCOW THUS RECEIVED REASSURANCES THAT DAMASCUS WOULD NOT ABANDON THE SOVIETS IN FAVOR OF ANY US INITIATIVE.

17. BEYOND THESE COMMITMENTS, HOWEVER, THERE IS LITTLE EVIDENCE THAT THE TALKS DISPELLED IMPORTANT DIFFERENCES. ON THE PALESTINIAN ISSUE, THE PARTIES PUBLICLY AGREED--EVIDENTLY AT SYRIAN INSISTENCE--THAT THE PLO SHOULD

PARTICIPATE AT THE GENEVA TALKS "FROM THE OUTSET." THE FORM OF THE PLO ROLE WAS, HOWEVER, LEFT VAGUE. ACCORDING TO THE SYRIAN EMBASSY IN MOSCOW, THE SOVIETS IN FACT REFUSED TO ENDORSE SYRIAN SUPPORT FOR A UNIFIED ARAB DELEGATION AS THE WAY AROUND THE PROBLEM OF PALESTINIAN PARTICIPATION.

18. THE QUESTION OF LEBANON APPARENTLY CONTINUED TO BE DIVISIVE. THE COMPROMISE LANGUAGE OF THE COMMUNIQUE, IN FACT, DID NOT GO BEYOND A JOINT CONDEMNATION OF ISRAEL'S ACTION IN THE SOUTH AND AN EXPRESSION OF SATISFACTION AT THE NORMALIZATION TAKING PLACE THROUGHOUT THE COUNTRY. (SECRET)

19. EGYPT. IN A MOVE TO EMPHASIZE THEIR CONCERN OVER THE SITUATION IN THE RED SEA AREA, THE EGYPTIANS CONDUCTED WELL-PUBLICIZED NAVAL AND AIR MANEUVERS THERE. EMBASSY CAIRO BELIEVES THAT THE HIGHLY UNUSUAL PUBLICITY WAS ALMOST CERTAINLY PRODUCED ON THE INSTRUCTIONS OF FAHMY. EGYPT'S MESSAGE WAS NOT LOST ON THE ETHIOPIANS. A GOVERNMENT SPOKESMAN IN ADDIS ABABA OBSERVED THAT THESE MANEUVERS WERE CLEARLY DIRECTED "AGAINST THE REVOLUTION AND THE UNITY OF ETHIOPIA." (CONFIDENTIAL)  
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20. OPEC. IT IS INCREASINGLY LIKELY THAT 11 OF THE 13 MEMBERS OF THE ORGANIZATION OF PETROLEUM EXPORTING COUNTRIES WILL FOLLOW THROUGH ON THEIR PLAN TO RAISE THE PRICE OF THEIR OIL 5 PERCENT ON JULY 1. LAST DECEMBER, THE 11 STATES VOTED TO RAISE PRICES 10 PERCENT ON JANUARY 1, AND AN ADDITIONAL 5 PERCENT ON JULY 1. SAUDI ARABIA AND THE UNITED ARAB EMIRATES VOTED FOR A ONE-TIME 5-PERCENT INCREASE. WE BELIEVE THE POSSIBILITY OF A COMPROMISE BETWEEN THE 11 AND THE SAUDIS IS REMOTE.

21. IF THE 11 STATES GO AHEAD WITH THE JULY INCREASE, THE AVERAGE PRICE OF OPEC CRUDE WOULD BE AT LEAST 11 PERCENT HIGHER THAN IT WAS IN DECEMBER. THE PRICE OF NON-OPEC OIL WOULD TEND TO RISE BY NEARLY THE SAME AMOUNT.

22. SAUDI ARABIA IS GAMBLING THAT THE MARKET EVENTUALLY WILL FORCE THE MAJORITY OF CARTEL STATES INTO LINE WITH THEM ON OIL PRICES. THE 11 STATES WILL HAVE MUCH GREATER DIFFICULTY MAINTAINING THEIR PRICE POSITION IN 1978 UNLESS WORLD OIL DEMAND GROWS FASTER THAN EXPECTED. THE SAUDIS APPEAR CONTENT TO WAIT IT OUT AND HAVE REJECTED OFFERS BY THE 11 TO DROP THE INCREASE PLANNED FOR JULY AND COMPROMISE AT 10 PERCENT, OR POSSIBLY LESS, FOR THE REMAINDER OF 1977.

23. ALTHOUGH WE BELIEVE THEY WILL GO ALONG, OTHER STATES

ARE LE"" ENTHUSIASTIC. KUWAIT PREFERS A COMPROMISE. INDONESIA, VENEZUELA, AND QATAR ALSO HOPE FOR ACCOMODATION WITH SAUDI ARABIA, BUT REALIZE THIS IS UNLIKELY IN THE SHORT RUN. THE MAJORITY MAY CALL AN EXTRAORDINARY OPEC MEETING BEFORE JULY, BUT FEW BELIEVE IT WOULD DO MORE THAN EXACERBATE THE CONFLICT. (CONFIDENTIAL/NOFORN)

24. ARAB STATES. FINANCE MINISTERS AND CENTRAL BANKERS  
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FROM 20 ARAB COUNTRIES AND THE PLO FORMALLY ESTABLISHED THE ARAB MONETARY FUND EARLY LAST WEEK. THE FUND, THE FIRST REGIONAL VERSION OF THE INTERNATIONAL MONETARY FUND, WILL OPERATE FROM ABU DHABI. THE AGREEMENT ON THE CREATION OF THE FUND WAS REACHED A YEAR AGO, BUT ONLY RECENTLY HAVE A SUFFICIENT NUMBER OF STATES RATIFIED IT.

25. THE FUND IS INTENDED TO COMPLEMENT THE FACILITIES OF THE IMF. IT WILL HELP MEMBERS WITH BALANCE-OF-PAYMENTS DEFICITS, STABILIZE ARAB EXCHANGE RATES, FACILITATE DEVELOPMENT OF ARAB FINANCIAL MARKETS, AND WORK TOWARD THE EVENTUAL UNIFICATION OF ARAB CURRENCIES. THE FUND IS INITIALLY CAPITALIZED AT \$900 MILLION, MOST IN CONVERTIBLE CURRENCIES AND, LIKE THE IMF, WILL OFFER SHORT- AND MEDIUM-TERM CREDIT AT NOMINAL INTEREST OR SERVICE CHARGES.

26. CREDIT OFFERED TO ARAB COUNTRIES BY THE ARAB MONETARY FUND IS LIKELY TO BE MADE AVAILABLE WITH MUCH LESS STRINGENT DOMESTIC POLICY CONDITIONS THAN THOSE DEMANDED BY THE IMF. MANY ARAB AND OTHER DEBTOR COUNTRIES HAVE FOUND IMF TERMS OBJECTIONABLE.

THE SEVEN OPEC COUNTRIES THAT ARE MEMBERS OF THE ARAB FUND WILL, AS A BLOCK, HAVE VOTING CONTROL. CONSERVATIVE STATES SUCH AS SAUDI ARABIA AND RADICAL STATES SUCH AS LIBYA MAY FIND IT DIFFICULT TO AGREE ON CONDITIONS FOR BORROWING, HOWEVER. (CONFIDENTIAL)

27. ALGERIA. PRESIDENT BOUMEDIENE'S CABINET SHAKEUP LAST WEEK, THE FIRST MAJOR RESHUFFLE SINCE 1970, BROKE UP KEY ECONOMIC RESPONSIBILITIES AND FURTHER LIMITED THE POWERS OF SOME OF HIS IMMEDIATE SUBORDINATES. BOUMEDIENE WILL CONTINUE TO EXERCISE STRONG CONTROL AND TO SERVE AS DEFENSE MINISTER.

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28. THE MOST SIGNIFICANT CHANGE WAS THE DEMOTION OF BELAID ABDESSELAM, WHO AS MINISTER OF INDUSTRY AND

ENERGY HAD DOMINATED ALGERIA'S ECONOMIC DEVELOPMENT  
EFFORT. HE REPORTEDLY OPPOSED BOUMEDIENE'S UNCOMPROMISING  
STANCE ON WESTERN SAHARA. TWO SENIOR MEMBERS OF THE  
COUNCIL OF THE REVOLUTION WERE ALSO DEMOTED IN AN APPARENT  
EFFORT TO DEPRIVE THEM OF THEIR POWER BASE. MORE CABINET  
CHANGES SEEM LIKELY. (CONFIDENTIAL)  
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## Message Attributes

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**Disposition History:** n/a  
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**Document Unique ID:** 00  
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**Enclosure:** n/a  
**Executive Order:** 11652 XGDS-2  
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**Review Release Event:** n/a  
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**Type:** TE  
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**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009